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UNCLAS SECTION 01 OF 03 THE HAGUE 000197

SENSITIVE

SIPDIS

STATE FOR EEB/TRA/OTP AND EUR/ERA

MONTREAL PASS USICAO

BRUSSELS PASS FAA CBARKS

E.O. 12958: N/A

TAGS: [FAIR](#) [ECON](#) [ETRD](#) [SENV](#) [EU](#) [NL](#)

SUBJECT: NETHERLANDS: UPDATE ON KEY AVIATION ISSUES

Ref: (A) THE HAGUE 177, (B) THE HAGUE 885

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**¶11. (U) Summary:** The Dutch government and KLM are both keen to learn the details of the new U.S. Administration's aviation policy, especially as it relates to the Second Stage of the U.S.-EU Air Transport Negotiations. The aviation tax, implemented in July 2008, continues to cause controversy and is opposed by the Transport Ministry and industry. The Dutch government is more seriously investigating the prevention of bird strikes, particularly in the wake of U.S. Airways flight 1549's crash into the Hudson. Privatization of Schiphol Airport is opposed by KLM and not even on the current Cabinet's agenda. The airport and its operator are experiencing hard times due to the economic crisis and the impact of the aviation tax on passenger numbers.

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U.S.-EU AIR TRANSPORT NEGOTIATIONS  
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**¶12. (SBU)** On February 4, 2009, Senior FAA Rep and Econoff held introductory meetings with Dutch Transport Ministry aviation officials Ellen Bien, Director for Civil Aviation, Michael Lunter, Deputy Head for International Affairs Civil Aviation and Market Access, and Jan Busstra, Head of Unit Civil Aviation Safety and Security Department. Regarding the second round of the Second Stage of the U.S.-EU Air Transport Negotiations, the Transport Ministry officials indicated that the GONL was waiting for the United States to make the next move and announce its position. Emboffs met later on March 13 with Dutch MFA Transport Advisor Peter Post who echoed his Transport Ministry colleagues' comments in stating the GONL is in a holding pattern on this issue at the moment. He added, however, that the United States and the GONL may have to reopen their former bilateral Open Skies agreement to address current, ongoing discussions within the Kingdom of the Netherlands on devolution of the Netherlands Antilles. At present, the islands fall under Dutch aviation law, and thereby EU aviation agreements, but should some of the islands gain full sovereignty, the United States would likely have to renegotiate Open Skies agreements with each individual island.

**¶13. (SBU)** Emboffs met February 2 with senior KLM officials Willem de Jonge, Vice President of Government and Industry Affairs, and Michiel Laumans, Director of European Affairs (Brussels office), to discuss a wide range of industry issues. KLM stated that the First Stage of the negotiations was the most important for its airline because it established the European nationality principle. As for the Second Stage, KLM's top priority is simply for it to be successful so that the two sides are not forced to return to the First Stage. KLM believes there is uncertainty surrounding the

Second Stage, especially in the UK's position, and KLM has concern the entire agreement could be nullified if negotiations run out of time. KLM is interested in learning the position of the new U.S. Administration and has heard rumors that the U.S. will be less likely to allow European airlines to acquire U.S. carriers.

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AVIATION TAX  
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¶4. (SBU) During the February 4 meeting, Transport Ministry officials maintained that the aviation tax (see ref B) is more political than it is fiscal, as the tax was included in the three-party coalition platform which established the current government. Transport Oplatform which established the current government. Transport Minister Camiel Eurlings (Christian-Democrat - CDA) was "energetically" discussing the issue within the Cabinet to voice industry concerns that the tax is negatively impacting the sector. The Transport Ministry would like to see the tax abolished as soon as other sources of revenue can be identified for the Finance Ministry (headed by the Labor Party - PvdA). According to the Transport Ministry officials, the tax is clearly causing unintended economic and environmental costs that outweigh any financial benefit to the Finance Ministry. While it is difficult to say whether the tax will be abolished, because of its political underpinnings, the Transport Ministry hoped the tax would be eliminated at least by 2012 when aviation is to be included in the EU's Emissions Trading Scheme (ETS-see ref A).

¶5. (U) In late December 2008, Finance State Secretary Jan Kees de Jager sent a letter to Parliament addressing the impact of the ETS on the aviation tax. De Jager claimed it was still too early to make any definitive assessments and explained how the two measures could co-exist at the same time since they have different objectives: the aviation tax, while billed as a "green" measure, is simply a regular tax while the ETS is an environmental tax. De Jager indicated that

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the Economic Affairs Ministry would monitor the first signals of the tax's impact on operations at Schiphol, as well as its impact on tourism, and report back to Parliament before summer 2009.

¶6. (SBU) In the February 2 KLM meeting, KLM officials insisted that the aviation tax should not be billed a "green" tax as some politicians have done since there is no evidence the revenue stream has been contributing to improving the environment. KLM was opposed to the tax and casts its hope in the public words of Prime Minister Jan Peter Balkenende who stated it would be abolished by 2012. KLM also relayed how it had heard from its Transport Ministry contacts that the tax was not working out well which is blamed on the Finance Ministry. While KLM lacked concrete data, the officials claimed that Schiphol Airport has lost anywhere between 500,000-1 million passengers since the tax began on July 1, 2008. While it is difficult to estimate how much of this decrease is attributed to the tax or the worsening economy, data suggests passenger numbers are rising in neighboring countries' airports.

¶7. (SBU) In a December 18, 2008, meeting, Patricia Epting, Managing Director, Atlantic Region, Northwest/Delta Airlines, told Emboffs her airline found the tax inappropriate and responsible for diminishing passenger numbers at Dutch airports. Epting also praised KLM lobbying efforts which succeeded in convincing the Finance Ministry to exempt transit passengers from this tax since transit passengers make up KLM's core business out of Schiphol. She did not fault the government for backing KLM on this, even though some critics rightfully complain that the tax unfairly targets other airlines, because of the central role that KLM plays at Schiphol and thus within the overall DQh economy.

¶8. (U) According to a March 2009 study conducted by the Dutch Association of Travel Agents and Tour Operations, the tax costs the Dutch economy, particularly tourism, EUR 1.3 billion per year, as well as a loss of 1 million airline passengers to airports across the border. According to the study, there are 11 percent less passengers at Schiphol due to the aviation tax, as travelers have

chosen other transport methods or other airports just across Dutch boarders. The aviation tax means an income loss for the Dutch airports worth EUR 90 million, for the airlines EUR 940 million, for Dutch travel agencies and tour operators EUR 120-300 million and for other tourism service providers (hotels, restaurants) EUR 83 million, the study estimated.

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BIRD STRIKES  
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¶9. (SBU) During the February 4 meeting, Transport Ministry officials also asked about U.S. approaches for dealing with bird strikes, in light of the January 15 crash of U.S. Airways Flight 1549 into the Hudson River. The Dutch indicated they experienced similar problems at Schiphol Airport, particularly with geese, and were hoping to learn "best practices" from the United States. The threat of bird strikes is increasingly impacting slot allocations, and the Transport Ministry is actively working with the Agriculture Ministry on how to address this problem by looking at migration patterns and how certain vegetation could help keep birds at bay. Additionally, Transport Ministry officials expressed reservations about the EU imposing solutions on how to address aviation safety, security and environmental concerns, preferring to keep these issues at the member state level.

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STATE OF SCHIPHOL  
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¶10. (SBU) During the February 2 KLM meeting, KLM officials indicated that public ownership of Schiphol Airport has never been a problem for the airline. KLM would, therefore, oppose the airport's privatization out of concern more investment under private ownership would go into non-aviation components, such as the office complex, rather than runways and other infrastructure projects that benefit airlines directly. Transport Ministry officials have repeatedly told Emboffs privatization of Schiphol is a dead issue within the current coalition government.

¶11. (U) In early January, Jos Nijhuis, new CEO of the Schiphol Group (which operates Schiphol Airport), declared in his New Year's speech the airport had been severely Q by the economic crisis. According to his data, the number of passenger flights out of Schiphol had dropped 1.8% and cargo flights by 1.4% in 2008. Nijhuis expects passenger flights to drop by a further 8-10% and cargo flights by an

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additional 10%. Nijhuis blamed the economic crisis as well as the aviation tax for the current difficulties facing his company. Accordingly, the Schiphol Group will be forced to reconsider its current strategy in order to weather the downturn, including postponing major new investment projects, such as the renovation of departure terminal 3, until April 2009 at the earliest.

¶12. (U) Also in January, Transport Minister Eurlings expressed his concern to Parliament about the increasing costs of tickets when flying out of Schiphol and announced his Ministry's intention to study measures on how to improve the airport's international competitiveness. While he made no mention of the aviation tax in particular, he stressed that all measures will be under consideration.

GALLAGHER